

I. MARKETING CONDITIONSTest BrandsVirginia Slims Ultra Lights

Virginia Slims Ultra Lights in test market area continues to sell well at the retail level.

Our management meeting for the National Introduction was held July 21 in St. Louis, MO. All sell-in materials were distributed and in adequate supply. Presentations have begun.

Marlboro Lights Menthol Test

Response from key accounts and major distributors has been excellent. No major refusals by headquarter accounts to date with many agreeing to automatic shipments of 10-30 cartons each location as well as full acceptance of supplemental displays. Sell-in at the wholesale level is 96% complete and the chain level, in excess of 50%. Pre-booking efforts have met with positive response at the retail level. Already it appears our sell-in will be in excess of allocations.

Response and preparation for the arrival of 2/1 and 5/2 inventories at the distributor level has been completed and communicated to New York personnel. All applicable field personnel have been notified as to the quantities and destination of shipments.

Cambridge Full-Flavor

Cambridge Full-Flavor continues to increase in sales and distribution, (+1% over previous period), at retail. With our sell-in now complete, all efforts are focused on maintaining adequate inventory levels and further increase product visibility and availability. Pre-booking efforts resulted in over 90,000 cartons booked at retail. This will facilitate supplemental display placements for Cambridge. Chain acceptance for supplemental displays was widespread.

In support of our merchandising efforts, the largest obstacle we are faced with is the lack of carton/package rack labels.

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Generics/Price Value Products

Eli Witt, Jackson, TN is making preparations for receiving a new test product from L&M, a 30 pack generic. This account has a 30 pack stamp and through internal memos have reminded personnel this stamp should be used for this product.

Cambridge Lights

Cambridge Lights distribution is increasing at retail as indicated by our recent T.A.R. Many of our recent gains can be traced to acceptance of Cambridge Full-Flavor as a total package of Cambridge distribution. This has occurred in some of our large chains which had no distribution prior to accepting Cambridge Full-Flavor.

Players Lights 25's

Following the conclusion of our 2/1 program, we have begun to experience slippage in this brand family. In some instances, distribution has declined almost 4%. Nevertheless, good inventory levels are maintained at retail. No doubt, some on-going promotional activity to complement on-carton couponing will be needed.

Famous Value Brands

Southern Cigar, Ft. Smith, AR was recently presented our F.V.B. by Regional Sales Manager Gerry Choyke. A decision is pending.

Fred's, Memphis, TN recently signed a contract to distribute our F.V.B.

II. COMPETITIVE ACTIVITY**American**

Focus continues on the implementation of Malibu's introduction. No other movement/introduction of product noted at retail.

Permanent Counter Displays

Malibu, Pall Mall 25's and Tareyton

Temporary Displays-Set/Sells

Malibu - using 2/1 along with 30 pack set/sells with payments of \$2.00/\$4.00. Some displays with 30¢ pack coupons.

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Manpower/Marketing Conditions

The most recent acquisition is Acco World Corporation, North Brook, IL for \$602 million, cash. Acco manufacturers staples, paperclips, folders and binders.

Brown and Williamson

Retail activity is concentrating on Falcon Introduction. Distribution to date is very limited.

Permanent Counter Displays

Kool, Kool Lights and Richland

Temporary Displays-Set/Sells

Currently using 10-20 pack displays with payments \$1.00/\$2.00 featuring Viceroy, (20¢ off pack), Richland Lights 2/1.

Floor Bins/Carton Racks

Falcon Lights featured in 30-60 carton bins with \$5.00/\$6.00 payments.

Richland 25's in 2/1 bins and supported with media coupons.

Coupons

Carton couponing, \$1.50 to \$2.00. Pack coupons, 20¢ to 75¢, (Richlands and Viceroy respectively).

Manpower

One female part-timer added in Ft. Smith, AR distributors to coupon product.

Liggett & Myers

Promotional activity centers around Eve, L&M and generics.

Permanent Counter Displays

L&M and Eve

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Temporary Displays-Set/Sells

2/1, 20 unit display for Eve with \$2.00 payment.
Generics, 2 with lighter, carries a \$2.00 payment.

Floor Bins/Carton Racks

A 30 carton display with incentive attached, (cigarette case), promotes Eve and pays the retailer \$10.00.

Manpower

In the State of Arkansas, each Sales Rep is assigned one part-timer to work in large volume stores.

Lorillard

No significant market activity. Some Sales Reps are currently working 2/1 on Beechnut Chewing Tobacco.

Permanent Counter Displays

True Silver, Newport, Kent, Kent Golden Lights and Kent III.

In Arkansas, a new 5 carton plastic display has been spotted. Payment is \$10.00 per month in high volume outlets.

Temporary Displays-Set/Sells

2/1, 20 unit displays promoting True with a \$2.00 payment.

30 unit Newport display offers free sports bag mail-in with purchase 2 packs. Display payment is \$2.00.

Coupons

Extensive couponing, usually \$2.00 off, on Kent Family, Newport, True and Old Gold.

R. J. Reynolds

Continued activity on behalf of Doral, Winston Lights Box and couponing noted this period. In addition, generic fixturing and flex rack upgrading are being solicited heavy. To date, we have experienced increased space as a result of this activity.

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Permanent Counter Displays

Winston Lights Box, Salem King, Camel Filters, Camel Lights, Winston and Winston Lights.

Temporary Displays-Set/Sells

Salem Lights Box featured in a 20 unit display, with a \$1.00 payment.

Vantage, 2/1, 6 carton capacity, approximately \$3.00 in payment.

Winston Lights and Winston Lights Box 2/1, 30 unit capacity with a \$2.00 payment is showing good movement. Many retailers have large back up inventory with which to replenish displays.

Winston King and 100's 2/1, 30 unit displays carry a \$1.50 payment. Sales are reported heavy.

In addition, Tenn-Miss Distributors, Memphis, TN have on hand large inventories of Salem Light King and 100's 2/1 promotional stock. No doubt this is an upcoming promotion.

Floor Bins/Carton Racks

Heavy solicitation via pre-booking for Winston, Salem and Camel with offers to affix \$2.00 on-carton coupons upon arrival at store level.

\$2.00 on-carton coupons are being attached to all cartons of Winston Lights Box Kings and 100's on carton racks.

Large floor displays, 75/180 unit promoting Century, Winston, Winston Lights, Camel with attached \$2.00 coupons, pays \$7.50 to \$18.00 per.

Coupons

Heavy \$2.00 on-carton couponing both on carton racks as well as separate floor displays. Also, extensive media couponing.

Manpower

Frank Armstrong, (RJR's equivalent to PM's Section Manager), will be retiring August 1.

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III. TRADE CLASSES

Distributors/Wholesale Grocer

We are pleased with distributors' acceptance for all product introductions which has been positive and will no doubt be reflected in monthly and annual sales.

We have noted an interesting trend among some distributors. This is reflected in recent acquisitions by jobbers of convenience and grocery stores, particularly in Arkansas. Here, Kellam & Bates, Russellville, AR are part owners of four (4) IGA Stores; Cheek Wholesale, Atkins, AR owns three (3) Save-A-Sums Stores as well as three (3) convenience stores in the northern Little Rock, AR area.

Wetterau Inc., Hazelwood, MO reached a tentative agreement to purchase a Los Angeles based distributor of health and beauty aids, automotive supplies, stationery, etc. This outfit is UPSC-Wesco Inc.

S&K Wholesale, St. Louis, MO had requested in house couponing to which we responded by assigning one (1) I.M. with positive results.

Supermarkets

Schnucks, Bridgeton, MO has confirmed authorization for AG/AV placements with Sales Reps to sell-in at store level. Consideration is also being given to resuming participation in promotional displays.

Dierbergs, Chesterfield, MO has accepted a System 2000 low profile fixture for testing at one (1) location. The Electronic Message Center conflicted with in-store advertising policy.

E. W. James, Memphis, TN (13 stores) has authorized Marlboro Shopping Baskets for all locations.

Gas/Gas Convenience

Placement of carton fixtures has begun at Clark Oil, St. Louis, MO. When completed, approximately 90 fixtures will be placed.

Super K-Keller Oil, Effingham, IL (23 stores), recently opened five (5) new locations with a projected 80 additional over the next five years. New stores are expected to be self-service. We have a Plan A for all 23 existing stores and will cover new store openings.

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Keller Oil has also accepted three (3) PM overhead units for existing locations. This will increase our permanent P.O.S. visibility as we already have counter balance signs and Marlboro Personalized Signs with this chain.

Circle K, Memphis, TN have received all authorized AV's on location. Initial feedback indicates positive sales response.

Cox Oil, Union City, TN (18 stores), has accepted two (2) additional Marlboro Personalized Signs to increase our total permanent P.O.S. penetration in this account to 119 items.

Quik-Mart, Batesville, AR (25 stores), has authorized BV's for 13 locations.

Mass Merchandisers

Venture Stores, St. Peters, MO recently signed a Plan A contract for 53 PM rows, (an increase of 8 rows), in 62 stores.

Wal-Mart, Bentonville, AR has under construction two (2) super stores in the Missouri area. One store will house 119,000 square feet. These stores are expected to include grocery and general merchandise.

Vending/Liquor/Drugs

No significant developments this period.

Our successful efforts at reducing unsaleables are reflected in current year-to-date figures which show -21.5%.

IV. SSM KEY ACCOUNT/MANAGEMENT ACCOUNT CONTACT

<u>Account</u>	<u>Contact</u>
Northwest Tobacco Fayetteville, AR	Grace Tancred, President

Accompanied A.M. on contact of account. Call objectives:

Completed follow up on Cambridge distribution/
shipment to stores.
To review sales and shipment of F.V.B. to those
chains previously authorizing this brand.

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AccountContact

Wal-Mart Stores, Inc.
Bentonville, AR

Harriet Campbell,
Buyer

Accompanied on call by National Accounts Manager Bill Garry.
Call objectives:

Presentation of Cambridge Full-Flavor King Size and 100's. Decision pending with follow up scheduled for August 4.
Presentation of Virginia Slims Ultra Lights 100's into the Louisiana test market expansion. Brand refused with buyer commenting this new introduction must be in the top 75 authorized brand packings before approving for Wal-Mart stores.
Presented Revised Plan A/carton merchandiser P.O.G.'s. Decision pending. Buyer commented installation of manufacturer's carton fixtures has been curtailed in all stores until October because of internal activities/changes occurring within the Wal-Mart operation. Buyer did comment that for front wall department locations, a 6 shelf was being added for additional merchandising space. We were informed when manufacturer's fixtures are to be installed in all Wal-Mart stores, chain would commit to manufacturer, (RJR or PM) who offered the most dollars.

AccountContact

Safeway Stores
Little Rock, AR

Cindy Holleman,
Buyer

Accompanied A.M. on contact of account. Call objectives:

Sell-in of Cambridge Full-Flavor Kings and 100's. Brand accepted with a 60 carton automatic distribution to be made, 54 stores.
Virginia Slims Ultra Lights 100's sell-in for expanded test market area. Brand authorized with 20 carton automatic distribution approved, 10 stores. 5 for 3 plus 30 carton Tote Bag A-1 promotion authorized.

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AccountContact

Fred's Discount Stores
Memphis, TN

Tommy Pate,
Buyer

Accompanied on contact of account by S.A.M. Joe Pate. Call objectives:

Introduction of S.A.M. as the individual who will be assuming account responsibility.
Presentation of Cambridge Full-Flavor Introduction.
Decision pending.
Introduction of Virginia Slims Ultra Lights 100's for expanded test market area. Brand authorized, but as of this report waiting receipt of letter from buyer.
Presented revised Plan A contract and fixture P.O.G.
Decision pending.

AccountContact

Samelson-Leon Company
Memphis, TN

Scott Fisher,
President

Accompanied on call contact by S.A.M. Joe Pate. Call objectives:

Introduction of S.A.M. who will be assuming responsibility of account.
Follow up on Cambridge Full-Flavor warehouse inventory and pre-booking form status.

AccountContact

Kroger, Delta Division
Memphis, TN

Bud Limbacher,
Grocery Merchandiser

Accompanied on call by S.A.M. Joe Pate. Call objectives:

Introduction of S.A.M. who will be assuming responsibilities of account.
During this meeting, introduced S.A.M. to Cigarette Buyer Lester Sessions. Discussed revised Plan A contract, Price Value Fixture placement and payment. Additional follow up by S.A.M. scheduled for week of 7/13/87.

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AccountContact

I.G.A. Supermarkets
Fayetteville, AR

Mike Drake,
Buyer

Accompanied A.M. on contact of account. Call objectives:

Presentation of Cambridge Full-Flavor. Both packings authorized with 60 carton force out approved, 4 stores.
Marlboro Sports Bag A-1 promotion. Display authorized, 120 cartons, 4 stores.
Marlboro Shopping Baskets, item authorized for all stores.
Presented Revised Plan A and carton fixture P.O.G.'s. Decision pending.

AccountContact

Schnucks Supermarkets
Bridgeton, MO

Cindy Parentin,
Buyer

Accompanied A.M. on contact of account. Call objectives:

Presentation of Cambridge Full-Flavor. Brand authorized for all stores with Sales Reps to pre-book at store level.
Marlboro Menthol sell-in. All 3 packings authorized with Sales Reps to pre-book.
Presented promotional displays offered in support of above new brands with decision pending.

IV. MPA KEY ACCOUNT/MANAGEMENT ACCOUNT CONTACT

AccountContact

Martin & Bayley
Carmi, IL

Tony Swafford,
Buyer

Accompanied by S.A.M. and A.M. presented Marlboro Lights Menthol, re-presented Cambridge Full-Flavor. Agreement was reached on accepting Cambridge Full-Flavor and shipment of pre-booked orders week of July 10. Follow up contact scheduled for Marlboro Lights Menthol.

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V. MERCHANDISING PROGRAM**Plan A**

Our new Plan A is being presented to all applicable accounts. Initial response is positive. Venture Stores increased PM rows from 45 to 58, in 62 stores. Currently, we average 32.8% of self-service rows and approximately 15,572 incremental rows. We anticipate further increases in row gains as a result of increased fixturing and additional incentives for PM rows.

Compact/Impact (CI)

While this concept will continue to be reinforced, the revised Plan A will incorporate all CI's under the standard, Plan A contract. This will reduce the number of defined CI contracts but will increase the number of Plan A's. No resets this period.

Plan A-1

The Merit Seacoaster Promotion was a success. This is clearly demonstrated by the 94% usage of allocated displays. Consumer response was enthusiastic with many encouraging a repeat of this promotion.

AG/AV

Total AV/AG units continue to increase in placements at retail level. Response to our revised contract has been fair to date. However, we anticipate additional placements as a result of our Plan AM.

Plan AM

Presentations have begun to incorporate this additional carton merchandising option at retail. A follow up to this will be included in our next report.

Plan B/Maxi

Plan B placements continue to increase with greater use of our larger maxi vehicles. Audited compliance of Plan B displays reflect 95% adherence to contract provisions.

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Plan BV/BG

We continue to gain chain acceptance for this vehicle in support of our value products. Recently, Union 76, Memphis, TN accepted BV displays for 50% of their location. Also, Quik-Mart, Memphis, has expanded Plan BV to 13 of 26 stores with more anticipated.

Vending

While not a priority area at this time, we continue to pursue opportunities to increase our vending business. We maintain a 26% share of machine despite declining locations. Total locations are 20,540 with 18,230, (89%) qualifying.

Our DataVend penetration is stable at 31% or 43% of all vending locations.

No R.D.A. activity this period with year-to-date placements remaining at 713.

PM Units/Overheads

Overhead placements continue and is expected to increase significantly with the availability of new maxi overheads. Bladwin Oil, Jonesboro, AR has recently authorized PM overheads for four (4) stores. Malone Oil, Batesville, AR opened a new store under the name of Jaxx and has consented to a test PM overhead. Mapco, Memphis, TN requested PM overheads for three (3) new stores being built in the Memphis area. This would increase total PM units to 38 of 57 stores.

PM Units/Carton Fixtures

Additional placements were gained this period including major commitments for the System 2000. With the elimination of the CMS II Series fixtures, our attention is focused on gaining maximum payout from placements of our new series.

PM Series 2000

In Ft. Smith, AR, William's Food Stores authorized the System 2000 for five (5) stores. Decisions are pending following presentations to other major accounts.

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Special Merchandising Programs

Our Marlboro 2 with lighter promotion met with good trade response with a placement of 2,560 displays or approximately 88% of allocated displays.

Our Benson & Hedges 2/1 promotion in ethnic areas is very well received. Our major concern, as in the past, is the lack of quantity in 2/1 made available for this promotion. Sales Rep report receiving 40 displays, however, each Rep received only 90 cartons of 2/1 with each display having a capacity of 4 cartons. This explains why only half the displays can be used.

VI. SECTION ACTIVITIES

Territory cycling was 81% in May, 63% in June as the vacation season began. Further examination indicates priority accounts are being contacted and our Call Rate is stable at approximately 10.6 max rate.

Our Marlboro Lights Test Section meeting was held June 29 and followed on July 21 by our Virginia Slims Ultra Lights/Benson & Hedges Box introduction meetings. All personnel are very motivated to gain maximum results from these programs.

Area Manager Redeployment is now complete with all applicable accounts now assigned to our two (2) S.A.M.'s.

Recent Richmond, VA - M.P.A. II Seminar was attended by myself and my M.P.A. We both found the analyses and capability of the new equipment to be very important tools in developing presentations and analyzing our business as well as the business of our accounts.

Sampling Activity - All samplers have been hired and initial training completed for the Benson & Hedges, Marlboro Summer Sampling and samplers will be hired for Virginia Slims Ultra Lights and Marlboro Menthol Lights programs.

P.O.S. - Temporary/Permanent

Our penetration of permanent P.O.S. is steady at 86% despite net losses in some placements. Warehouse inventories are adequately stocked with available items as soon as notice is received of allocations. This enables us to make available a wide assortment for sales personnel use at retail.

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Cox Oil, Union City, TN recently authorized two (2) additional Marlboro Personalized Signs which will increase our total P.O.S. in this account to over 100 pieces.

E. W. James, Union City, TN authorized Marlboro Shopping Baskets for all 13 stores.

Good quality temporary pieces continue to be included in regular P.P.P. materials with maximum usage being attained by Sales Reps.

Items Over/Underproduced

Continued concern for the lack of availability of carton rack labels with new product introductions and extensions.

VII. SALES SERVICE

New S.P.A.C.E. reports resulting from the revised I.C.R./F.R.S. are now being received with everyone adapting to these new documents. While I.C.R. Edits remain high, we have begun to experience a decline which would indicate Sales Reps are becoming familiar with this recorder.

VIII. SALES DEVELOPMENT

Presentation materials received for product introductions, (Cambridge Full-Flavor, Marlboro Menthol Lights/Full-Flavor, Virginia Slims Ultra Lights, Benson & Hedges Lights Box), arrived in adequate supply and are of good quality. Seemingly, we are unable to obtain "Fact Sheets" at the same time we receive the above materials.

IX. MEDIA DEVELOPMENT

AisleVision continues to do a good job in maintaining PM signage in Kroger, (southern Illinois). Also, Actmedia maintains a clean image for PM with its timely rotation of advertising cards in supermarkets. Chris Miller of Actmedia attended our Virginia Slims Ultra Lights meeting and explained their in-store sampling efforts scheduled for Benson and Hedges Lights Box and Virginia Slims Ultra Lights.

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X. ASSOCIATION AND CONVENTIONS

Arkansas Vending Council Convention was held in Hot Springs, AR June 18-20. Local A.M.'s were in attendance.

Arkansas Oil Marketers Convention was held June 21-23, in Hot Springs, AR. Local A.M. also attended this function and gained commitments for 11 overhead placements and three (3) low profile spinners.

TAP/TAN

No major developments or smoking legislative activity this period.

XI. SSM Miscellaneous Comments

The addition of the S.M.A.R.T. desk is a major tool in the development of our future business. It is recommended both Section Manager and MPA be provided access. This is important as the absence of the MPA affords no entry to this system.

In reference to letterheads being provided to management for new brand sell-ins, recommend that a different grade of paper be used. Letterheads/sell-sheets being provided are heavy textured and typewriter print does not adhere.

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REGION 6

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Section 61
July 27, 1987

I. MARKETING CONDITIONS

Cambridge

The introduction of Cambridge Full Flavor has been very successful to date. A great deal of product was prebooked and distributed, and some sales are starting to occur. This should gain momentum now as we implement the retail introduction. The prebooking by SR's was once again very effective. Through such prebooking, we are able to sell more product and better complete the retail introduction. We could use more lead time as it is difficult to get prebooking forms to all accounts on time. Two months would be ideal.

Placing the B1G1F in the counter displays seems to be a good move. We are able to take advantage of our prime position and don't have to fight for additional counter space. Also, the current Cambridge Full Flavor floor displays are excellent. They are easily constructed and are a good size to set in many locations in the store. The introduction is being hampered somewhat because of the lack of carton and package labels. This prevents us from establishing a permanent home and will probably result in some OOS.

All but two major accounts accepted Cambridge. Consumers Markets continues to refuse to carry Cambridge or Doral because of the impact it will have on their Topco generics, and Safeway refused for essentially the same reason -- because of the possible effect on Scotch Buy. We will continue to re-present and hope to have acceptance in the near future as we need distribution in these two chains very badly.

The Cambridge Menthol Heavy Up Program was reportedly very successful. Extra movement was noted, and it certainly helped to better establish the Menthol packings. Also the special coupons were effective because they really stood out on the fixture. One of the problems with our coupons is that it is very difficult to distinguish what packing is in a carton since the coupon covers the top and end flap.

As previously reported, the use of part-time couponers to better cover retail was generally successful. Because a great deal of product was prebooked and couponed, it allowed us to catch up and freed a great deal of the SR's time. The DM's involved recommended they be allowed to use such couponers on a periodic basis as they felt it could not be justified on a regular basis.

Players Lts. 25's

We continue to experience problems with Players Lts. 25's as they simply are not selling. Both Associated Grocers, Wichita, and Nash Finch, Liberal, KS dropped them this month, and many other accounts are considering doing so.

The B1G1F sold well but appeared to have no lasting effect on sales. As this is a carton brand and consumers don't appear to perceive it as a significant value at this time, I believe we need to have some type of carton promotion where it could be featured in

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conjunction with our \$2 coupons. If we don't do something quickly, distribution and image of this brand will be too negative to easily overcome.

Best Buy/AAV

Nothing to report this period.

Business Conditions

Recently the Kansas City economy has suffered several major losses. Panhandle Eastern is moving 960 jobs, Amoco Oil 300 and Union Pacific 200-300. In addition the national headquarters of the Presbyterian Church which was to be headquartered in K.C. with 900 jobs was lost to Louisville, KY at the last moment. These announcements have seriously affected K.C., both economically and psychologically.

Many accounts were extremely upset by the price increase. In addition to the increase itself, they were upset with the timing because they felt this would be used against us as we tried to defeat any excise tax increases.

Tax and Regulatory Developments

Several legislative meetings were held this month as follow-up to the Jacob Albright meetings. Approximately half of those contacted support our position, and half do not. I do believe our efforts were worthwhile because there is a lot of misinformation circulating about the tobacco industry and taxation of it.

The Nebraska state tax was increased by 40¢ per carton to \$2.70 per carton on July 1. Since there was no floor tax on retailers, most of them loaded heavily, and this undoubtedly inflated 2nd quarter sales figures for Nebraska.

In response to confusion about the new KS smoking restriction law, the Attorney General ruled that an employer could designate offices or buildings as nonsmoking areas in their entirety. He also ruled that cities could enact stronger local ordinances if they wished.

Iowa passed a smoking restriction bill but what it means and how it will be enforced are not yet clear. Mission, KS passed an ordinance restricting smoking in all indoor locations. It is very similar to the state law. Both Springfield and Joplin, MO are currently considering such ordinances.

II. MAJOR COMPETITIVE DEVELOPMENTS

American

Heavily working Malibu. Reportedly will continue their \$3 off per carton until January 1988. Excellent distribution and depth of inventory, but sales are sluggish. They are paying \$45 per month for a plastic floor display and have had relatively good success in placing these. Also have B1G1F on Pall Mall.

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Brown and Williamson

Continue promoting new Viceroy, Belair and Raleigh with \$2 per carton or 10¢ off per pack premarked. There is a great deal of confusion on these as pricing and scanner problems have resulted. Sales don't appear to have been helped much and many accounts are dropping them in favor of the regular priced packings.

Continue to promote Eli Cutter with B1G1F. Promoted Richland with \$1.50 and \$2 off + \$6 mail-in offer.

Preparing for Kool Jazz Festival offering baseball caps and T-shirts with carton purchase.

Liggett Group

Have contacted Revenue Departments of all 4 states about a 30-cigarette pack. No other details available. Almost all retail activity revolves around generics.

P. Lorillard

No new retail activity. Buying additional rows above the maximum shown on their contract at \$4 per row in K.C. area.

R. J. Reynolds

Introducing Magna in K.C. and Des Moines markets. As a test, it will be offered at full price. Introductory allowance is \$22 with \$22 count/recount. Also offering \$1 off per carton to retailers for introduction.

Continue to promote Winston Lts. Box and Camel Lts. 100's with B1G1F and B3G3F. Sales on the former are slow while those on the latter appear very good.

Changing cartons and packs on Century. Promoting them with \$2 off per carton + mail-in card for free gift. The card asks consumers if they like the new pack and what they think of the value of Century. No effect on sales has been noted.

In the Omaha area, a package change on Salem being tested. No promotion being done but a carton insert asks consumers to vote on the new package versus the old one.

Continue to promote Doral with 25¢ per pack and \$1 off per carton. Have new 3-wide value center for smaller accounts.

Very aggressively working new overheads. Offering \$200-\$250 conversion allowance. Dart In, Garden City, KS, 14 stores, and Rapid Roberts, Crane, MO, 11 stores, have converted from PM to RJR fixtures because of payments. Some independents with the new fixture already have converted back to PM because they don't like RJR's (appearance and trays).

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DM in Wichita was promoted to Detroit.

Generics

Liggett is paying 50¢ per carton to retailers to promote their generics. Some retailers are just pocketing the money, and some are reducing the price 50¢ per carton.

Fleming Companies are very actively promoting their new Rainbow brand made by Liggett.

III. TRADE CLASSES

Several business shifts have occurred recently. Gordon's Wholesale, Des Moines, IA now services all Kwik Shop and Derby stores previously supplied by Hagman's and Sunbeam in Wichita. Chaffin Gibsons switched from McLane to Hagman's while King Oil switched from Hagman's to McLane. The net result is our Section is probably at break even point.

Heart of America, K.C., KS is for sale. Jay Raccagno, president and owner's son, resigned. As this is our headquarters jobber for 4 SR's, we will watch this closely.

Fleming, Wichita, KS has announced they will close their warehouse there if they don't get a \$2 concession from the union.

Rumors continue about the closing of Safeway. Supposedly a number of chains, wholesale grocers and independent retailers are bidding on their stores, and a decision is to be made by September 1.

IV. SSM KEY ACCOUNT CONTACTS

I accompanied SAM Lopez on a sales call to Myonza Smith, buyer for Fleming, Mid America Region. Several current questions were answered, and the basis for a good relationship in the future was established.

I accompanied SAM Lopez to see Lee Crabtree at Fleming, K.C. division. Plans for their upcoming warehouse move were discussed, and Kathy will follow up with them.

We contacted Steve Firestone, buyer for Associated Wholesale Grocers. A good discussion resulted, and plans were made for immediate follow-up for presentation of EPP and a carton/package fixture presentation to their retail counselors.

I introduced Kathy to Ross and Anthony Barber at Barber and Sons. A lengthy business discussion took place, and plans were made for Anthony to attend an upcoming golf outing.

I spoke with Dennis Rees and Mike Sevier of Namee Wholesale about their financial problems, particularly in regard to their credit status with PM. I spoke to Karl Zoldan and then arranged for Namee to contact him with additional credit information that might help ease the current problem.

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V. MERCHANDISING PROGRAMS

7-11 Contemporary Industries, Omaha, NE has been signed to either B-2 or M-4 in all 45 corporate stores. This is the first time we have ever had a counter display in their stores.

System 2000 carton fixtures have now been installed in all 36 Consumers stores. System 2000 package fixtures have been installed in 23, and the remaining 13 will be placed w/o 8-10. Response has been very positive. Because of the size of their departments, setting these stores was the equivalent of setting approximately 140 stores with U-type carton fixtures so placing all of these within 2 months was a major accomplishment. With help from Sections 62 and 63, our people did a great job.

Commitment has been gained for placement of PM carton and package fixtures in all 7 Harry's IGA stores w/o 8-10. Harry's is a very high volume chain in Topeka, KS, and we were not contracted prior to this. We also have placed System 2000 fixtures in several HyVee stores and have commitments for several others.

SR's Larry Finch and Nicki Howerton sold 7-11 Mako executives on our overhead package fixtures. This chain, headquartered in Tulsa, OK, has given a commitment for all 85 stores. 13 have already been placed. This is a significant accomplishment for these SR's, and I'm very proud of them.

SR Don Johnson gained 3 more overhead placements in 7-11 Southland this month.

Kwik Shop, Hutchinson, KS was upgraded from B-2 to M-4 for all 152 stores.

SRO Mike Kelly instituted a new program to gain nonpaid rows for Cambridge in his 5 divisions. As a result, 1,056 new rows were gained.

The Marlboro Lighter Display as usual was very well received and sold rapidly. Some problems were incurred in getting all placed because they were 2-3 weeks late.

The following new commitments were gained this month:

BV: Rapid Roberts, Crane, MO, 10 stores
Texaco, K.C., 36 stores
Handy Stop, K.C., 10 stores

AV: Unimart, K.C., 4 stores
Fisca, K.C., 13 stores

OPM: Phillips 66, Omaha, 5 stores

VI. SECTION ACTIVITIES

Most of our activity for this month focused on the introduction of Cambridge Full Favor and the implementation of system 2000 carton and package fixtures with Consumers Markets.

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Meetings were attended and held on our new carton merchandising programs. Although we are already making excellent progress with our System 2000 carton fixtures, the Plan A changes and Plan AM will allow us to accomplish much more.

The SAM position was filled this month. Kathy Lopez has already contacted most of her accounts, is collecting as much information as she can about them, and has set objectives and made plans for each. Kathy will, I believe, be very effective in a short period of time.

The redeployment of AM territories was completed. The new concentration on fewer accounts will pay dividends very shortly. They will be able to spend more time with those accounts who contribute most to our business and will be able to follow up much more thoroughly with them.

We moved our office this month. Although traumatic as usual, the move was relatively smooth, and we are very pleased with the new facilities. The additional space and redesigned floor plan will help increase efficiency.

MPA Priddy and I attended MPA II Seminar in Richmond. We are both anxious to get the MPA planning desk set up so that we can start generating and using output reports and presentation materials. The new tools which we will have will help us develop our business with our key accounts even more.

I attended 2 Assessment Centers in Dallas, one to be trained and one as an assessor. I was most impressed by the assessment process and believe those candidates who best demonstrated the dimensions targeted as necessary for success in the SAM position were found. I found the process very enlightening, as it forced me to analyze the candidates in terms of skills and traits. This experience I'm sure will help make me a better SSM.

VII. SALES SERVICES

We continue to have complaints from our direct accounts about the manner of allocation with our price increases. By rounding up on slow selling brands, we tend to create overstocks that reduce turns and increase returned goods in small and medium accounts.

The trade gifts for both Virginia Slims UL and B&H Lts. Box introductions are excellent. The quantities received are good and will allow us to maximize their effectiveness.

With the recent AM redeployment and assignment of more small chains and distributors to DM's, I recommend that sell-in samples for DM's be increased to 5 cartons on each packing.

VIII. SALES DEVELOPMENT

With each price increase and state tax increase, the percentage of package sales versus carton sales rises. As a result, package sales are becoming more and more important. I would like to see us take some of the money allocated for carton fixture payments and increase the payments for package fixtures. I believe this would help our business greatly in many accounts.

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The Chicago USCO warehouse seems to be continually out of many fixture and POS items that are available in all other warehouses. This creates backorder situations and requires much more time to get the items we need. Specific examples have been forwarded to DRS Anderson for his review. There may be some factors involved that we don't understand, but the fact of the matter is that we are having a difficult time getting almost all materials.

We continue to need sell sheets and visuals on many of our new fixtures such as low profile overheads. It is very difficult to sell these items without visuals.

We continue to need carton and package rack labels. We are not able to get these at all times and this creates many problems at retail with merchandising our products as effectively and permanently as we would like. As we become more fixture oriented, the need for competitive package labels also increases. To be truly professional, we should be able to label the entire fixture, and presently we cannot do so.

Many complaints from sales people have been received about the Marlboro decals. Apparently they are very brittle and crack quickly after being put up. Our people would like to see a more permanent store hours sign that would allow for hours to be changed without scraping the window.

Almost all of our convenience and convenience/gas accounts are now using some type of 3-pack promotion. A Marlboro window sign that would allow for 3-pack advertising and pricing would be useful and I believe well received.

IX. MEDIA

Nothing to report this period.

X. ASSOCIATIONS AND CONVENTIONS

We participated in both the Kansas and Missouri Associations of Tobacco Distributors conventions. Our participation was appreciated, and many contacts were reinforced.

Plans have been made for the following:

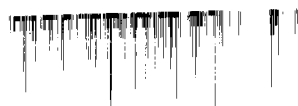
- . Iowa Food Dealers Trade Show 8-3-87
- . AG Trade Show, Wichita 8-30-87
- . SuperValu Trade Show, Des Moines, 9-1-87
- . IATD, Des Moines, 9-11-87
- . Nebraska Food Dealers Show, Omaha, 9-13-87
- . Golf Digest outing, Overland Park, 9-14-87
- . NATCD, Omaha, 9-27-87

SSM MISCELLANEOUS COMMENTS

Nothing to report this period.

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I. MARKETING CONDITIONS

CAMBRIDGE FULL FLAVOR

All accounts have accepted Cambridge Full Flavor, except those listed which are pending and/or follow-up presentations are being made: S.E.G. Stores, Inc. (Salt Lake City, UT); Safeway (Denver, CO); Sam's Wholesale (Colorado Springs, CO); Skaggs/Alpha Beta (Salt Lake City, CO); Merchants Oil (Denver, CO); Metro Oil (Salt Lake City, UT); Rainbo Oil (Salt Lake City, UT).

INDUSTRY

Received approval from NYO Tax Department to reimburse non-recoverable floor taxes for Idaho distributors. This is being implemented. All competitive companies had agreed to do the same.

The most recent price increase along with various state tax increases have not adversely affected sales to date.

II. MAJOR COMPETITIVE DEVELOPMENTS

AMERICAN

\$2 off coupons on Pall Mall Filters being attached at wholesale. Retail promotions on this brand include counter displays with 2 for 1 offer, holding 5 cartons and paying retailer \$4.

Activity in wholesale clubs on Lucky Strike Filters including 45 carton display with consumer offer of 5 free packs with carton purchase. In addition, Buyer's Club (Denver, CO) has \$1 off coupons on all Lucky Strike Filters stock putting king size price at \$5.79 and 100's at \$6.03.

BROWN & WILLIAMSON

Couponing Falcon Lights at wholesale with \$1 off coupons. Reports indicate that brand sells at retail only if couponed. Retail offers remain with 10¢ off pack price and \$1 off cartons.

B & W has gained some placements of generics in P & M Vending (Denver, CO) locations. If this proves to be successful, we will present Cambridge to P & M for placement (non-paid columns).

Continuing to coupon Barclay, Kool, and Richland with \$2 off coupons attached to cartons at retail. Raleigh and Belair feature \$1 carton coupons as do black and whites.

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LIGGETT & MYERS

Very little activity observed from L & M. Some coupons on L & M, Lark, and Eve have been seen at retail.

LORILLARD

New permanent counter display reported for Newport. Display is a green and white plastic, gravity feed unit. Reported payment is \$12 per month.

2 for 1 displays on Newport holding 60 units with \$3 payment to retailer noted.

\$2 off coupons are being placed on all brands stocked on carton racks.

As of 6/1/87, Lorillard implemented a new stock rotation program. A red or black dot is placed on cartons by Sales Representatives depending upon the month. Coded cartons are moved off the carton rack and into pack racks the following month.

Appears they are also tightening Sales Representative performance by conducting oral quizzes every month. The quiz includes questions on all memos sent out and contents of three new computer generated reports.

Changed the package design on all packings of True. This has not affected sales.

Rumors of new Newport packing in Wyoming. No other details available. Will investigate.

R. J. REYNOLDS

Working a 20 pack Doral Ultra Lights display, \$3 payment for a non-self-service location plus \$3 to refill up to five times. This program runs for a six week period.

Several accounts have verbally verified \$150 payment for removal of the PM OHPM and placement of RJR's. Seriously doubt we will find this on paper anywhere. However, it appears it is taking place on a regular basis.

Part-time couponers are working City Markets and two large independents in Grand Junction, CO. They work 15 hours per week passing out \$2.50 coupons to smokers. These coupons cover the Winston-Salem brand families.

Reports from 2 DM's indicate that RJR is getting much more involved with consumer work and are becoming quite professional with switch selling techniques.

Reports from several Divisions indicate that the multitude of package changes from RJR are confusing customers.

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90 carton floor displays being placed on Winston, Salem, and Camel featuring \$2 off coupons and an \$18 retailer payment.

60 carton floor display on Century featuring \$2 off coupons in an attempt to move out the old packing.

Camel Filters and Camel Lights are featured in package promotion offering consumers free lighter or screwdriver with 2 pack purchase. 2 for 1 displays on these brands are beginning to appear in Vickers and Circle K outlets.

Reports indicate that Magna has shown very poor performance in the Wyoming area.

Buy 3 packs, get 3 free promotion being run on various brands in various locations.

Doral continues to improve sales and is consistently couponed.

GENERICIS

40 unit carton bins with \$1 off coupons on all product. Payment unknown.

III. TRADE CLASSES

Buttreys (Salt Lake City, UT) has sold three Boise stores to Albertsons. Albertsons will remodel these stores and close three of their existing stores. They feel the Buttreys stores are better locations than the three they intend to close. Buttreys is closing the remaining Boise and Pocatello, ID stores. Twin Falls and Idaho Falls, ID stores will remain open. This increases prospects for business through Albertsons and Smith's Management.

Sales on Cambridge in supermarkets are improving due to couponing done at wholesale level in Albertsons and Super Valu (Denver, CO).

Sax Foods (Colorado Springs, CO) has switched suppliers from Super Valu (New Mexico) to Nash Finch (Denver, CO). Obviously, this will have a positive effect on sales in Section 62. They still plan to pull our racks and go non-self-service. Manager claims contract dollars still won't cover his shrink.

Affiliated Foods (Amarillo, TX) continues to penetrate further North. SR working Pueblo, CO assignment now has several accounts using this supplier. This has a minor negative effect upon Section sales.

Mountfort Wholesale (Monte Vista, CO) conducted their own selling promotion on Cambridge before our price increase. Cambridge sells very well in this area.

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It is rumored that a leveraged buyout within Southland Corporation could have an adverse affect on Mountain Division's headquarters. Office force has already been drastically reduced.

In anticipation of the price increase, Circle K Northwest Division force shipped 40 cartons of Marlboro soft pack and 10 cartons Marlboro box to all 229 stores.

AM George Hussey has secured authorization for placement of M-4's with two add-ons in prime location in all KwikWay and PDQ stores (Denver, CO).

Several 7-11 Store Managers are telling our retail representatives that they have "substantially" improved carton sales since they lowered carton prices.

Reports indicate that compliance levels in 7-11 and Circle K have improved. Some Circle K stores have been instructed to remove the RJR Doral rack. Some Managers in 7-11 stores continue to be uncooperative.

Latest edition of the local "Labor Advocate" tells union members to boycott RJR products. Suspect that this was due to RJR support of King Soopers management during the recent strike here in the Denver market. King Soopers stores seem to be getting back to normal operation since the strike. As a result, we see a decline in Albertsons and Safeway business compared to what they were enjoying during the strike.

Buyer's Club is seriously considering dropping distribution on all packings of Cambridge. This is due to our competitors paying \$1 off coupons at store level. We must work out something for couponing products in Buyer's Club and other membership clubs if we are to compete in these outlets.

Circle K has removed on-carton coupons which have expired. They said they will not mess with outdated coupons, regardless of our guarantee that they will be honored by the clearing house. Boise Vending (Boise, ID) purchased Burton Miller Vending June 1st, bringing their new machine total to 300. DataVend presentation has been made and looks favorable.

IV. SSM KEY ACCOUNT CONTACTS

No contacts this month.

V. MERCHANDISING PROGRAMS

Office staff is working on an updated competitive contract folder for use during our revised Plan A presentations.

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Planning and objectives for each account will be conducted by SHA Byrge with his Area Managers.

Authorization was received for us to place Plan B/M in 43 Diamond Shamrock stores. All will be placed in prime locations.

Initial response to our Marlboro sports bag promotions has been excellent. Coordinated this activity during recent management meeting, so we do not oversell this promotion.

During June audits by AM's revealed compliance problems. The following are results from these audits:

Plan A	91%
Plan B-2/B-3	95%
Plan B-4	44%
Plan M-4	60%
Primary location	70%

We will increase audits and corrective action to address this situation.

Sales Representatives have greeted our down the street presentation of the Marlboro A-1 with much enthusiasm. They anticipate much better penetration with this approach.

Sales force just recently received various contracts necessary to implement our revised carton merchandising programs. DM's have begun to order additional 7 wide and 4 wide hardware in anticipation of increased demand for these racks. 12 contracts have been signed under the revisions, including 5 new accounts. This resulted in a gain of 283 rows.

VI. SECTION ACTIVITIES

Arrangements have been made to conduct the upcoming Space Trek program meeting in August.

To date, we have had very good acceptance for the upcoming Philip Morris/Gannett golf outing on August 3rd. All plans finalized and everything progressing as scheduled.

Received samples of color schemes and shelf ends available for System 2000 from the manufacturer. This is an excellent visual aid for presentation of customized System 2000 racks.

Received a call from United Distributing (Denver, CO) on some new, weird distributorships cropping up. Apparently, through the use of a coupon book mailed by the distributor, consumers can order two cartons of cigarettes for \$10.99 plus \$1.50 UPS handling. The coupon distributorships are

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available through a program similar to the Amway structure. Don Bruno and Mike Murphy were informed and were already investigating. Two of these appear to be operating in Northglenn, CO under the names K. C. Distributing and U.S. Beverage Distributing. Sounds like a large scam or a large opportunity for them to put our wholesalers in a bind.

Marlboro shopping baskets have been placed in the majority of the 229 Circle K stores. Three additional convenience chains have authorized placement in Section 62.

Materials for the Cambridge Heavy Up program never arrived. NYO was informed on several occasions about this problem. We are implementing the program without the materials in the most professional manner possible.

With our introduction of new Plan A and related programs, it will be necessary to have an ongoing supply of carton rack labels.

PPP materials for Cambridge Full Flavor arrived in specified quantities. I have received no reports of late or shorted materials.

DM's appreciate shipments of coupons to warehouses as opposed to home addresses. Much more effective and secure.

VII. SALES SERVICES

Reallocation of Marlboro materials from the original allocation was not much of an improvement relative to increased quantities. Survey of sales force indicates we should budget more money to these items with high demand as opposed to budgeting monies to new items of yet unproved acceptance.

VIII. SALES DEVELOPMENT

Attended MPA II Seminar with MPA Nelson in Richmond week of July 13th. Very impressed with new systems capabilities and more importantly, anticipate extensive use of the system to improve selling efforts.

Conducted management meeting for Virginia Slims Ultra Lights and Benson & Hedges Lights Box introductions. Management personnel like having the option of presenting one or both brands.

Preparation for SAM Seminar in Aspen/Snowmass completed by MPA Nelson who will be in attendance with SAM Kronschnabel.

IX. MEDIA

No comments this month.

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X. ASSOCIATIONS/CONVENTIONS

Attended the Intermountain Vending Council Convention in Jackson, WY with SHA Byrge and AM Boehning. Participation from vendors poor. Will reduce our involvement in future years.

The Colorado Association Of Tobacco And Candy Distributors Convention was attended by DRS Anderson, FVB Region Manager Wilhelms, SHA Byrge, and AM Hussey. Worthwhile program but distributor participation limited to five accounts. Some problems encountered during dinner due to Aspen anti-smoking ordinances.

Colorado Automatic Merchandising Association convention attended by SHA Byrge. While sales through these vendors are limited, our expenditures are small. Recommend continued support. Plan to have SHA Byrge join as an Associated Member.

XI. SSM MISCELLANEOUS COMMENTS

Marlboro Summer Sampling Program continues in the Section with DM's and SR's coordinating activities. We hope to be able to retain most of these samplers for the Virginia Slims Ultra Sampling Program scheduled for August.

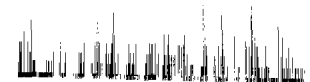
Received new planning desk computer system and have received assistance from Richmond in order to go on-line. Planning desk has not yet arrived. Recent discussion with NYO indicated they would be here the first week in August.

Trade gifts for new brand introductions are very impressive. Would appreciate, if possible, shipment of these trade gifts to AM and DM warehouses in the future. We had to reship these materials when they arrived due to size and weight of the trade gifts which will delay their use.

We continue to attempt to achieve continuous couponing on value brands. This is being hindered by our coupon ordering and shipping problems. It is virtually impossible to track inventories and order properly when some orders are not arriving. Recommend NYO ship to MPA's in mass quantities and allow them to distribute and control inventories. We could then report on usage, destruction, transfers, etc.

All allocations of 4th sales period selected items and Marlboro permanent P.O.S. have been reallocated and ordered.

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